

**IOWA RIVER VALLEY  
EARLY CHILDHOOD AREA**

**Independent Auditors' Reports  
Basic Financial Statements  
Schedule of Findings**

**June 30, 2013**

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# Iowa River Valley Early Childhood Area

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Betsy Macke	Chairperson	June 30, 2015
Robin Sampson	Vice-Chairperson	June 30, 2015
Betsy Kuecker	Member	June 30, 2015
Michael Hackbarth	Member	June 30, 2015
Tim Holmgren	Member	June 30, 2015
Holly Barnhart	Member	June 30, 2015
Bettie Bolar	Member	June 30, 2015
Lisa Formo	Member	June 30, 2015
Shelly Tuttle	Member	June 30, 2015
Wayne Sawtelle	Member	June 30, 2015
Karen Clover	Member	June 30, 2015
Deane Adams	Member	June 30, 2015
Shean Fletchall	Member	June 30, 2015
Carrie Kube	Executive Director	Indefinite



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24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366  
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com  
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report

To the Members of the Iowa River Valley Early  
Childhood Area Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Iowa River Valley Early Childhood Area as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Area's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Area's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Area's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Iowa River Valley Early Childhood Area as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U. S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2013 on our consideration of Iowa River Valley Early Childhood Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Iowa River Valley Early Childhood Area's internal control over financial reporting and compliance.

*Bowman and Miller, P.C.*

October 28, 2013

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The Iowa River Valley Early Childhood Area provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Area's financial statements, which follow.

Because the Area was formed in 2013 when the empowerment areas from Marshall and Hardin County combined, there is no comparable data from prior years.

## **2013 FINANCIAL HIGHLIGHTS**

- The Area's net position increased 13.5%, or approximately \$6,500, from June 30, 2012 to June 30, 2013.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Area's financial activities.

The Entity-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Area as a whole and present an overall view of the Area's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Area's operations in more detail than the entity-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## **REPORTING THE AREA'S FINANCIAL ACTIVITIES**

### *Entity-wide Financial Statements*

The Statement of Net Position presents the Area's net position. Over time, increases or decreases in the Area's net position may serve as a useful indicator of whether the financial position of the Area is improving or deteriorating.

The Statement of Net Position and the Statement of Activities include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Area's net position increased from a year ago, increasing from \$47,971 at June 30, 2012 to \$54,450 at June 30, 2013. The analysis that follows focuses on the Area's net position at June 30, 2013.

	<u>Statement of of Net Position</u>
Current and other assets	\$ 110,009
Accounts payable	<u>55,559</u>
Net position	<u><u>\$ 54,450</u></u>

The net position of the Area's governmental funds increased \$6,479 during the year primarily due to a carryover of School Ready funds into fiscal year 2014. The following analysis details the changes in net position resulting from the Area's activities during the year ended June 30, 2013.

	<u>Changes in Net Position</u>
Program revenues:	
Operating grants, contributions, and restricted interest	<u>\$ 667,354</u>
Program expenses:	
Early childhood	146,061
Family support and parent education	292,282
Preschool support for low income families	123,351
Quality improvement	55,770
Other program services	12,814
Parent summit	1,622
Administration	28,975
Total expenses	<u>660,875</u>
Change in net position	6,479
Net position beginning of year	<u>47,971</u>
Net position end of year	<u><u>\$ 54,450</u></u>

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

- The Special Revenue, Early Childhood Fund cash balance decreased \$10,226 from the prior year to a year-end balance of \$0.
- The Special Revenue, School Ready Fund cash balance increased \$16,705 from the prior year to a year-end balance of \$54,450.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Due to State budget cuts future funding decreased for fiscal year 2014 for the Iowa Valley Early Childhood Area. The fiscal year 2014 grant funding for Early Childhood and School Ready totaled \$146,486 and \$476,090, respectively, a total of \$622,576, which is a decrease of \$43,978 from fiscal year 2013.

## **CONTACTING THE AREA'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Area's finances and to show the Area's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Carrie Kube, Executive Director, 524 Lawler, Iowa Falls, Iowa, 50126.

Iowa River Valley Early Childhood Area  
Statement of Net Position  
June 30, 2013

Exhibit A

**Assets**

Cash	\$ 110,009
<b>Total assets</b>	<u>110,009</u>

**Liabilities**

Accounts payable	<u>55,559</u>
<b>Total liabilities</b>	<u>55,559</u>

**Net Position**

Restricted for grant purposes	<u>54,450</u>
<b>Total net position</b>	<u><u>\$ 54,450</u></u>

Iowa River Valley Early Childhood Area  
Statement of Activities  
Year Ended June 30, 2013

	Expenses	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>		
Governmental activities:		
Early childhood	\$ 146,061	139,334
Family support and parent education	292,282	292,870
Preschool support for low income families	123,351	128,333
Quality improvement	55,770	50,787
Other program services	12,814	31,542
Parent summit	1,622	1,622
Administration	28,975	22,866
Total	<u>\$ 660,875</u>	<u>667,354</u>

Net position beginning of year

Net position end of year

<u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Position</u>	
	(6,727)
	588
	4,982
	(4,983)
	18,728
	-
	<u>(6,109)</u>
	6,479
	<u>47,971</u>
<u>\$</u>	<u>54,450</u>

Iowa River Valley Early Childhood Area  
Balance Sheet  
Governmental Funds  
June 30, 2013

		Special Revenue		
		Early	School	
		Childhood	Ready	Total
<b>Assets</b>				
Cash		\$ 17,872	92,137	110,009
<b>Total assets</b>		<b>\$ 17,872</b>	<b>92,137</b>	<b>110,009</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable		\$ 17,872	37,687	55,559
<b>Total liabilities</b>		<b>17,872</b>	<b>37,687</b>	<b>55,559</b>
<b>Fund balances:</b>				
Restricted for grant purposes		-	54,450	54,450
<b>Total fund balances</b>		<b>-</b>	<b>54,450</b>	<b>54,450</b>
<b>Total liabilities and fund balances</b>		<b>\$ 17,872</b>	<b>92,137</b>	<b>110,009</b>

Iowa River Valley Early Childhood Area  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2013

	Special Revenue		
	Early Childhood	School Ready	Total
<b>Revenues:</b>			
State of Iowa grants:			
Early childhood	\$ 139,122	-	139,122
Family support and parent education	-	292,282	292,282
Preschool support for low income families	-	128,333	128,333
Quality improvement	-	50,787	50,787
Other program services	-	31,542	31,542
Parent summit	-	1,622	1,622
Allocation for administration	7,322	15,544	22,866
Total State of Iowa grants	146,444	520,110	666,554
Interest on investments	211	589	800
Total revenues	146,655	520,699	667,354
<b>Expenditures:</b>			
Program services:			
Early childhood	146,061	-	146,061
Family support and parent education	-	292,282	292,282
Preschool support for low income families	-	123,351	123,351
Quality improvement	-	55,770	55,770
Other program services	-	12,814	12,814
Parent summit	-	1,622	1,622
Administration	10,820	18,155	28,975
Total expenditures	156,881	503,994	660,875
Net change in fund balances	(10,226)	16,705	6,479
Fund balances beginning of year	10,226	37,745	47,971
Fund balances end of year	\$ -	54,450	54,450

# Iowa River Valley Early Childhood Area

## Notes to Financial Statements

### June 30, 2013

#### **(1) Summary of Significant Accounting Policies**

The Iowa River Valley Early Childhood Area (Area) is established under Chapter 256I of the Code of Iowa. The goal of the Area is to improve the well-being and quality of life for young children, age 0-5, and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs. The Area is funded by allocations of federal and state block grants.

An autonomous Board with a minimum of nine citizens from Marshall and Hardin Counties governs the Iowa River Valley Early Childhood Area. The Iowa River Valley Early Childhood Area Board is comprised of an elected official from one of the participating counties and one representative each from early care, education, health, human services, business and faith interest and a parent of young children.

The Area designated Hardin County Agricultural Extension as fiscal agent to administer the grant funds as permitted by Chapter 256I.8(1a) of the Code of Iowa.

The Area's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of Iowa River Valley Early Childhood Area are intended to present the financial position and changes in financial position of only that portion of the fiscal agent's financial activity attributable to the transactions of the Early Childhood and School Ready grants, which are reported in separate special revenue funds.

#### **A. Reporting Entity**

For financial reporting purposes, the Iowa River Valley Early Childhood Area has included all funds, organizations, agencies, boards, commissions and authorities. The Area has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Area are such that exclusion would cause the Area's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Area to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Area. The Area has no component units which meet the Governmental Accounting Standards Board Criteria.

#### **B. Basis of Presentation**

Entity-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the activity of the Area.

The Statement of Net Position presents the Area's assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:.

Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2013

**(1) Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function.

**Fund Financial Statements** – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Area reports the following major governmental funds:

**Special Revenue:**

The Early Childhood Fund is used to account for funds allocated from the Iowa Department of Human Services to enhance the capacity and quality of child care services to help parents obtain or retain employment.

The School Ready Fund is used to account for funds allocated from the Iowa Department of Education to support a comprehensive school ready children plan designed by the Area Board.

**C. Measurement Focus and Basis of Accounting**

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Area considers revenues to be available if they are collected within 60 days after year end.

Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2013

**(1) Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting (continued)**

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Area

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Fund Balance**

In the governmental fund financial statements, fund balance is classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

**(2) Cash**

The Area's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance.

**(3) Risk Management**

The Area is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

**Iowa River Valley Early Childhood Area  
Notes to Financial Statements (Continued)  
June 30, 2013**

**(3) Risk Management (continued)**

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Area's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Area's contribution to the Pool for the year ended June 30, 2013 was \$1,501.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions.

However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

**(4) Date of Management Evaluation**

Management has evaluated subsequent events through October 28, 2013, the date on which the financial statements were available to be issued.



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24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366  
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com  
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

To the Members of the Iowa River Valley  
Early Childhood Area Board:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Iowa River Valley Early Childhood Area as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the Area's basic financial statements and have issued our report thereon dated October 28, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Iowa River Valley Early Childhood Area's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa River Valley Early Childhood Area's internal control. Accordingly, we do not express an opinion on the effectiveness of Iowa River Valley Early Childhood Area's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items I-A and I-B that we consider to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa River Valley Early Childhood Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Area's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Area. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comment involving statutory and other legal matters is not intended to constitute a legal interpretation of those statutes.

### Iowa River Valley Early Childhood's Responses to Findings

Iowa River Valley Early Childhood Area's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Iowa River Valley Early Childhood Area's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Area's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Area's internal control on compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa River Valley Early Childhood Area during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman & Miller, P.C.*

Marshalltown, Iowa  
October 28, 2013

Iowa River Valley Early Childhood Area  
Schedule of Findings  
For Year Ended June 30, 2013

**Part I: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

(A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one person act as a check of those of another. One person has control over each of the following areas”

(1) Accounting System – record keeping for revenues and expenses, and related reporting.

(2) Receipts – collecting, depositing, journalizing and posting.

(3) Disbursements – preparing checks, recording disbursements and reconciling bank statements.

Recommendation – We realize segregation of duties is difficult with a limited number of persons. However, the Area should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and/or Board members.

Response – We will be adding to our Policy and Procedure Manual the responsible persons for the accounting system, receipts and disbursements. The accounting system is managed by the Fiscal Agent and they record all revenues and expenses for the board. Dually, the ECI director will keep internal accounting record of expenses and income. Receipts are kept and managed (including collection and journaling) by the ECI director to include vouchers (with supporting documentation) from service providers and expenses for the IRVECA Board. A member of the Fiscal Oversight Committee for the IRVECA Board will also be responsible for the approval of each service provider voucher and expenses for the board and will sign for approval. Disbursements are dually managed. The Fiscal Agent is responsible for preparing and mailing all checks and recording disbursements. A separate member of the Fiscal Oversight Committee will be responsible for the reconciliation of bank statements, and test the Fiscal Agent's records. Any significant findings will be reported back to the IRVECA Board. Additionally, it is the full responsibility of the IRVECA Board to view, discuss and approve all financial statements presented at the board meetings.

Conclusion – Response accepted.

(B) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, they were not reviewed by an independent individual.

Recommendation – The monthly bank reconciliations should be provided to an independent individual or to the Area Board for review and approval. Evidence of review of the reconciliations should be indicated by the signature or initials of the independent reviewer and the date of the review.

Iowa River Valley Early Childhood Area  
Schedule of Findings  
For Year Ended June 30, 2013

**Part I: Findings Related to the Financial Statements (continued):**

**SIGNIFICANT DEFICIENCIES (continued):**

Response – The Fiscal Agent is to provide a designated member of the Fiscal Oversight Committee with bank statements (originals) and reconciliation reports prior to each board meeting. The designated committee member will reconcile the bank statements and test the Fiscal Agent's records. Any significant findings will be reported back to the IRVECA Board. Documented evidence of the review will be kept on file at the IRVECA office.

Conclusion – Response accepted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

**Part II: Other Findings Related to Required Statutory Reporting:**

- (1) Board Minutes – The Board went into closed session on June 18, 2013. The minutes documented the reason for the closed session but did not document the roll call vote of the members as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The Board should comply with Chapter 21.5 when going into closed session.

Response – We recognize the minutes were written in error. We will utilized this opportunity to review Chapter 21.5 of the Code of Iowa for board and director development opportunities. We will be revising our by-laws to include this requirement.

Conclusion – Response accepted.

**Iowa River Valley  
Early Childhood Area  
Audit Staff**

**This audit was performed by:**

**Bowman & Miller, P.C.  
Certified Public Accountants  
Marshalltown, Iowa**

**Personnel:**

**Elizabeth A. Miller, CPA, Principal**